



## PRESS RELEASE

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### **Franke Group: Very pleasing sales and earnings performance in the first half of 2016**

Aarburg, August 26, 2016

- Considerable sales growth of 11.3% to CHF 985.2 million
- Two-digit organic growth of 12.7%; all divisions have grown organically
- Increase in EBIT by 182.5%; improved EBIT margin of 6.7%
- Continued positive performance in sales and earnings anticipated for 2016

"Despite unchanged and challenging market conditions, the Franke Group was able to assert itself, and the dynamic business trend that started back in the fourth quarter of 2015 continued successfully. All divisions posted organic growth," says Alexander Zschokke, CEO of the Franke Group. "In addition to various Operational Excellence measures that significantly increased our productivity, our innovation push combined with even a stronger customer orientation began to take effect. Franke Coffee Systems achieved record earnings in the current financial year, which was due to the successful introduction of a completely updated product portfolio. Franke Kitchen Systems likewise launched various new product lines – and the extractor hood product segment, in particular, showed a strong increase in sales and continues to head toward market leadership with the Faber and Franke brands and also as a producer for OEM customers."

In the first half of 2016, the Franke Group generated **consolidated net sales** of CHF 985.2 million compared to CHF 885.1 million over the same period in the prior year. This represents sales growth of 11.3%. The main driver was organic growth, accounting for 12.7% (prior year -3.5%). The positive currency effects contributed 1.0% to growth. Acquisitions/disinvestments resulted in a net sales reduction of 2.4%.

The Franke Foodservice Systems and Franke Coffee Systems divisions, in particular, made above-average contributions to the organic sales growth of 19.7% and 31.5% respectively. The largest division in the Group, Franke Kitchen Systems, continued its positive growth trend and generated organic growth of 9.0% during the first six months of this year. Franke Water Systems recorded modest organic growth in the amount of 0.5%, with improved profitability.

Here, a number of market developments were especially encouraging. For instance, Franke Kitchen Systems in China recorded record sales in the contract business and also strong growth in the US retail business. Franke Foodservice Systems was able to present a very good first half for 2016 in the regions of Europe and the Americas. The Swiss market continues to be as challenging as before. The Franke Group continues to be subject to strong downward pressure on prices and margins there. Against this background, all Franke companies in Switzerland and the KWC subsidiary were able to hold on well to their respective market positions.

Following a comparatively weak prior year – marked by the decision of the Swiss National Bank to remove the euro peg and the resulting strong Swiss franc – the **EBIT** increased by 182.5% to CHF 66.2 million in the first half of 2016 (EBIT margin 6.7%). The improvement is due to growth in sales, largely stable currency exchange rates and raw materials prices and a series of internal cost efficiency initiatives. The latter are a part of the Group-wide Operational Excellence program that was promoted energetically in the first half of the year and hence greatly improved the Group's productivity, among other things thanks to a consistent lean management. Structural adjustments to improve competitiveness likewise led to an increase in profitability. Overall, profitability of the Franke Group was significantly strengthened.

Total **investments** in the reporting period were CHF 140.8 million as opposed to CHF 27.5 million over the same period in the previous year. The acquisition of 25% of Duravit AG, an important manufacturer of designer baths and spa systems with headquarters in Germany, and the acquisition of 55% of Mamoli Robinetteria S.p.A., a leading Italian supplier of domestic and industrial bathroom taps, in the spring of 2016 accounted for a substantial share of this investment.

With 8,538 employees as of June 30, 2016, the headcount was 286 lower than on the same date a year earlier.

### **Outlook for 2016**

Despite the good start to the financial year, the estimates for the entire year for the Franke Group remain cautiously optimistic in view of the developments in the economy, the financial markets and the political situation. The Group continues to expect challenging and volatile markets, but sees itself well equipped to

face the competition in view of its high innovative strength, its strong customer orientation and strict adherence to efficiency gains, and is therefore confident that it will achieve its sales and earnings goals for 2016.

### The Franke Group at a glance

in CHF million	1st half of 2016	1st half of 2015
<b>Net sales</b>	<b>985.2</b>	<b>885.1</b>
- Change as a %	+11.3	-11.1
- Organic growth as a %	+12.7	-3.5
<b>EBIT</b>	<b>66.2</b>	<b>23.4</b>
- Change as a %	+182.5	-48.7
- as a % of net sales	6.7	2.6
<b>Total investments</b>	<b>140.8</b>	<b>27.5</b>
<b>Equity</b>	<b>988.4</b>	<b>933.3</b>
- as a % of total assets	51.5	51.4
<b>Headcount as of June 30.</b>	<b>8,538</b>	<b>8,824</b>

*Franke belongs to the Artemis Group and is a leading global provider of solutions and equipment for domestic kitchens, private bathrooms, semi-/public washrooms, professional food service and coffee preparation. The Franke Group operates worldwide and employs around 9,000 people in 38 countries, generating sales of over CHF 1.9 billion.*

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